

REQUIRED REPORT

850

ANNUAL ECONOMIC AND FINANCIAL REVIEW
(Syria-Lebanon)
- 1941 -

From

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Beirut, Lebanon.

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APPROVED:

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INTRODUCTORY NOTE

The economic situation in Syria and the Lebanon during the year 1941 was, of course, entirely dependent upon political and military developments, both internal and external. These countries remained under the political and military control of the French Government at Vichy until the beginning of the Syrian campaign in June. By the middle of July, the Allied occupation of the countries was completed.

The economy of the States of the Levant was therefore radically changed, from one of isolation and blockade to one of inclusion in the Sterling area, that is, practically speaking, from enemy to Allied status.

Economic developments, meanwhile, were naturally so inextricably intertwined with political and military events as to constitute an integral part of them. They have been reported, along with the political and military, from time to time by telegram and despatch and it is quite impossible in a non-confidential review of this nature to go into their details.

The purpose of this report, accordingly, is to give a rough sketch of the trend of the economic situation, mentioning a few more or less miscellaneous items which have, in general, not been reported elsewhere, with references where necessary to more confidential topics which have been separately reported.

It should be borne in mind that no official statistics of any kind have been released since 1939, and even the vaguest estimates are either unobtainable or completely unreliable.

GENERAL

The year 1941 falls into two practically distinct parts: the first running from January to June, during which period the country remained under the control of the Vichy régime; and the second beginning with the middle of July, after the Anglo-Free French military occupation of Syria and the Lebanon.

January - July 15.

During this period, restrictions on import and export trade and the growing scarcity of merchandise of all kinds caused a continued rise in prices. Industries had to operate under most difficult conditions, most of their stocks of raw materials having been either depleted or placed under military control. The foreign trade situation suffered from the tightened sea blockade and severe restrictions on overland trade with neighboring countries. Agriculture was encouraged and expanded, but the lack of means of transportation, due chiefly to the shortage of fuels, handicapped the farmers. Labor remained relatively cheap, and the number of unemployed increased considerably, while no large public work enterprises were undertaken by the local governments. Price control proved to be ineffective, and the numerous changes of officials charged with the control of supplies did not give the population much confidence in the ultimate outcome of the measures taken.

Underlying the situation was the political uncertainty of Vichy and the increasing efforts of the Axis powers to obtain economic footholds in the Levant.

July 16 - December 31.

As a result of the occupation of the country by the Allied troops, the economic situation during the latter

half

half of 1941 greatly improved. The resumption of trade with neighboring countries, the inclusion of Syria and the Lebanon in the Sterling Area, and the undertaking by the authorities of large public work enterprises, contributed effectively to an amelioration of the general situation, although the organization of the supply system left much to be desired.

* * * * *

Cost of Living

The cost of living mounted steadily during the year, not only for imported goods but also in almost as great proportion for locally-produced articles. A study by the local authorities showed that average costs of prime necessity articles alone increased by about 97% as compared with 1940. (See also despatch No. 323, dated March 27, 1942).

Food Supply

Although the Allied authorities proceeded to import relatively large quantities of wheat and other essential food supplies following their occupation of the country, the general problem of supply, especially for the more necessitous classes, had not been solved by the end of the year. (The organization of the principal plan for the wheat supply of the country was described in despatch No. 212, of November 25, 1941; the results thereof and its subsequent failure are described in despatch No. 414, of June 29, 1942).

The shortage of milk and butter, however, caused by the slaughter of cows on account of lack of fodder, remained

acute,

acute, while at the same time meat was scarce due to poor pasturage in Syria and the Lebanon and the difficulties of importing sheep from Iraq and Turkey. Three meatless days per week were enforced, and prices rose steadily, reaching limits practically prohibitive for the poorer classes of the population.

FINANCE

Government Finance

The Syrian and

Lebanese government

budgets which were fixed at approximately 18,000,000 Syrian pounds for 1941 had to be increased to about 30,000,000 pounds. The increase was due to unforeseen contingent expenses made necessary by the urgent need of the country for food supplies and by increases in the salaries of government employees. The deficit was met by loans from the Banque de Syrie et du Liban, as well as by advances taken from the reserve funds. These funds were constituted in normal times principally by customs receipts, but in view of the restrictions imposed on imports during the war, such receipts were considerably reduced. The local governments are accordingly studying the question of increasing the taxes now in force and of creating new ones to provide more revenue.

Mercantile Credits and Collections

On account of the increase in the

note issue during the period under review, and the restrictions on imports, Syrian money was plentiful and relatively fewer

fewer notes were discounted. In general, mercantile credits were easy and collections prompt. Towards the end of the year, however, the inflationary tendency of the local economic situation and increased speculation and hoarding on the part of local merchants resulted in a shortage of currency and in banking restrictions on discounting operations.

Exchange Control

Under the Vichy régime, dollar exchange was practically unobtainable, while all sterling accounts were blocked.

By virtue of Decree No. 38/FL of November 12, 1941, the Exchange Control Office, which had formerly depended on the Vichy Government, was made an autonomous institution operating for the account of the Free French Délégation Générale. The former exchange regulations were maintained, however, but their application was made more lenient for exchange within the sterling area. Dollar exchange, on the other hand, remained difficult to obtain except in extraordinary cases.

Money Rates

The following table gives the average rates of the various currencies quoted on the free market during the last quarter of 1941. Similar figures are not available for the rest of the year.

	Average for:			Average
	October	November	December	for Quarter
	£Syr.	£Syr.	£Syr.	£Syr.
English gold sovereign	31.92	32.66	32.37	32.31
Turkish gold pound	26.34	26.77	26.49	26.53
Palestine pound (note)	9.16	9.32	9.28	9.25
Iraqi pound (note)	9.96	9.77	9.47	9.73
U. S. dollar (note)	2.68	2.65	2.30	2.54

The

Towards the
end of 1941

the salaries of Syrian and Lebanese government employees were increased by from 60% to 120%, in order to enable them to meet the increasing cost of living.

On November 20,
1941, the

Lebanese Government issued decree No. 123/N assessing a 3% tax on the excess over £LS 600 of all salaries of government employees.

By decrees
Nos. 37/AS

and 112/N issued by the Syrian and Lebanese Governments on August 31 and October 9, 1941, respectively, the following new taxes were assessed on liquid fuels:

	Syrian Piasters Per Kilo
Gasoline	7.00
Kerosene	2.50
Fuel oil	1.00
Crude oil	0.50

TRADE

TRADE

General

Although during the second half of 1941 Syria and the Lebanon were included in the sterling block area, their trade with neighboring countries remained restricted. Aside from certain shipments of foodstuffs, which were obtained mostly through the United Kingdom Commercial Corporation, this territory was obliged to live on its stocks.

Restrictions were also imposed on the exportation of most native products, with the exception of surplus quantities of such articles as wool, silk, tobacco, sausage casings, et cetera.

Trade was therefore practically confined to domestic transactions. Retail trade was throughout the year restricted to essential commodities, while wholesale trade was relatively brisk and mostly of a speculative nature.

Import and Export Statistics

No import or export
statistics have been

issued since the outbreak of hostilities in 1939. However, the following figures were released shortly after the close of the period under review:

Year	Imports		Exports	
	Quantity	Value	Quantity	Value
	Metric Tons	Syrian Pounds	Metric Tons	Syrian Pounds
1939	500,000	75,000,000	300,000	36,000,000
1940	309,000	57,000,000	181,000	19,000,000
1941	176,000	38,000,000	29,500	11,000,000

It will be noted that in 1941 imports decreased by 65% in tonnage and 49% in value, while exports in the same year showed a decrease of 91% in tonnage and 69% in value, as compared with imports and exports in 1939. In 1939 imports exceeded

exceeded exports by 30,000,000 Syrian pounds, while in 1941 the deficit amounted to 27,000,000 pounds.

AGRICULTURE

Wheat The normal annual wheat production of Syria and the Lebanon is about 650,000 metric tons; the local consumption amounts to about 450,000 tons. Due to adverse weather conditions in 1941, and to military operations during the months of June and July in a large area of some of the best agricultural regions of Syria and the Lebanon, wheat production was about 30% below normal.

However, the reduced production would have been sufficient for domestic needs were it not for the smuggling of large quantities of wheat to Palestine and Turkey, and the hoarding of large stocks by speculators.

Potatoes The 1941 production was about 50,000 metric tons. On account of the relatively large quantities purchased by the Army of Occupation, prices went up tremendously. The acreage sown to potatoes for the 1942 season was considerably increased and production is expected to be double that of 1941.

Rice Rice is sown in the Jezireh region, in north-east Syria. The 1941 crop amounted to approximately 2,000 metric tons, but the 1942 production is expected to be in the neighborhood of 5,000 tons.

Cotton

Cotton

About 5,000 metric tons of cotton were produced in this territory in 1941. In view of the increased interest of the Syrian Government in cotton production and the efforts which are being made to increase the area planted to cotton in the Aleppo and Alaouite districts, the 1942 crop is expected to be around 8,000 tons.

Fruits

Citrus fruits, bananas, apples, pears, plums, peaches, apricots, figs, and grapes are produced in Syria and the Lebanon. Nevertheless, about 200 tons of apples, 35 tons of pears, and 15 tons of dried plums were in normal times imported annually from the United States. There was a decrease of about 30% in the 1941 fruit production but, on the other hand, there were practically no exports. Fruit prices went up in proportion to other commodities, with the exception of those of oranges and lemons which met with keen competition of similar products imported from Palestine.

Vegetables

There was a shortage of vegetables in this country during the period under review, while the demand for local consumption was even greater than usual in view of the limitations imposed on the use of meat and the exceedingly high prices of cheese, butter, and similar articles. Furthermore, the army of occupation constituted during the latter half of 1941 an unexpectedly large consumer, so that prices increased in certain cases to prohibitive limits.

INDUSTRY

INDUSTRY

General

Aside from the usual commodities which have for several years past been manufactured in this country, such as alcohol, biscuits, beer, matches, cement, hosiery, cotton yarn, and shoe leather, steps are being taken for the production of certain articles needed for national defense. It is noted that many local workshops are now making small quantities of essential automobile spare parts, formerly imported from abroad, the stocks of which have now been exhausted owing to import and shipping restrictions.

Cement

The exportation of cement from Syria and the Lebanon was prohibited as of October 18, 1941, and all export permits previously issued were cancelled. The two cement factories in this area, which are reported to be working at full time, are turning over practically all of their production to the military authorities, particularly a certain grade known as "special" which is said to be much stronger than the ordinary cement. The 1941 production is estimated at 250,000 metric tons.

Leather

In normal times approximately 100 metric tons of upper and sole leathers were imported annually, while local production amounted to about 500 tons. Now that imports have been restricted, local tanners have increased their output of native hides and are reported to be able to meet a large part of the local demand, including large quantities for the army of occupation.

Matches

Matches

The combined output of the two match factories in this area reached 15,000,000 boxes during the year 1941. These factories, however, felt a serious shortage of raw materials - chemicals and poplar wood. Endeavors were made to obtain chemicals in limited quantities through the Imperial Chemicals Industries, Limited, but poplar wood, which was formerly imported from Poland and Rumania, has been replaced by native wood, resulting in a very inferior product.

Alcohol

Locally made alcohol was in normal times manufactured from molasses imported from Czechoslovakia. When the importation of this article from that country became impossible, manufacturers began to use seeds and grains produced in this country. On account of the high cost of such raw materials, the price of the manufactured product went up considerably and reached towards the end of the year approximately \$2.75 per gallon. Output was restricted due to the decreased demand, caused by higher prices, and it is reported that only 130 tons of alcohol, or about 50% of the normal annual production, were manufactured in 1941.

Beer

The country's annual consumption of beer in pre-war times was estimated at 3,000,000 liters, about 50% of which was manufactured locally, and the rest imported. On account of import restrictions and the occupation of the country by the Allied troops in July 1941, the local demand increased considerably and the two local breweries are reported to have worked on a 24-hour basis without being able to meet the demand. Prices have increased by 300%.

Biscuits

Biscuits

The annual production of this commodity in normal times was estimated at 400 metric tons; it is reported to have been reduced by 40% during the year under review. While the quality of the product was far below that manufactured in former years, prices were 300% higher. Due to the shortage of tin plate, biscuit manufacturers are making biscuit containers from gasoline tins.

Hosiery

In normal years about 2,000 kilograms of hosiery were imported into this territory and about 1,000,000 pairs manufactured locally. Syrian and Lebanese hosiery mills have not been able to increase their production to meet the large demand, nor even to maintain their former output, being handicapped by the lack of yarns.

Cotton Goods

Due to the restrictions imposed on the importation of cotton yarn, and the insufficient quantities of such yarn produced in this territory, the cotton weaving industry was handicapped and about 200 looms in Aleppo alone are reported to be idle for lack of such material.

Sugar Refinery in the Lebanon

The first and only sugar refinery in this area, established in 1940 at Al-Abdeh, near Tripoli, Lebanon, produced about 3,000 metric tons of white crystallized sugar during that year from locally grown sugar cane. It is reported that its output was doubled in 1941. In order to enable this refinery to produce the maximum of sugar for domestic consumption, it was awarded a monopoly for

for the purchase of all sugar cane produced in Syria and the Lebanon.

COMMUNICATION AND TRANSPORTATION

Haifa-Tripoli Railway

During the latter half of 1941 the construction of a railway line connecting Haifa, Palestine, with Tripoli, Lebanon, was begun by the British Authorities. The construction of this section of the track, which is an important link in the Calais to Cairo railway route, will undoubtedly be an important factor in the development of this country after the war. In the meantime the building of this line is giving employment to thousands of workers in the Lebanon. It is expected to be finished in 1942.

Damascus-Brazzaville Air Line

A regular weekly air service operating between Damascus and Brazzaville, French Equatorial Africa, was inaugurated in October 1941. The test flight was successfully made by a four-engined Farman-233 plane which flew via Cairo, Khartoum, Fort Lamy, and Bangui. It took a total of 50 flying hours to cover the 7,000 kilometers in both directions.

Railway Commission

By Decree No. 308/FL issued on October 17, 1941, by the Free French Delegate General in the Levant a mixed commission was established to supervise the operation of the "Damas-Hama-et Prolongements" railway system. This commission was composed of the Inspector General of Public Works at the Délégation Générale, the British

Assistant

Assistant Quarter-Master General in Syria and the Lebanon, the President of the D. H. P. Railway Company, and an officer of the Free French General Staff.

Telephone Rates

of November 1, 1941.

Telephone rates were increased by 25% as

LABOR

Wages

For the first time in the history of this country the local authorities issued special laws for the protection of labor. By Decree No. 125/N of December 15, 1941, the Lebanese Government fixed the percentage of wage increases, and later appointed a commission to fix minimum wages for employees engaged in commerce and industry.

Employment

During the latter half of the year 1941 the army of occupation employed almost all available workers in Syria and the Lebanon. This resulted in a welcome relief to the working classes, but on the other hand caused an appreciable increase in the cost of hand labor.

REQUIRED REPORT

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ECONOMIC AND FINANCIAL REVIEW
for the First Six Months of 1942
(Syria-Lebanon)

From

William Witman II,
American Vice Consul,

American Consulate General,
Beirut, Lebanon.

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APPROVED:

William M. Gwynn,
American Consul.

General

The most important feature during the first part of 1942 has been the institution of an "Office du Blé". See despatches Nos. 414 and 418 of June 29 and July 3, 1942, respectively, concerning the organization of the Wheat Office. Things are evidently not running smoothly for this new administration as farmers are refraining from handing over their crops, and persuasiveness and threats have not yet obtained any decisive result.

Local industries have adapted themselves to wartime conditions, and many commodities which were formerly imported from abroad are now manufactured locally.

Import trade has been limited to prime necessity articles imported from neighboring countries. The most important commodities exported were raw wool and silk, tobacco, and sausage casings. Domestic trade in food-stuffs was brisk.

The Syrian and Lebanese Governments issued their 1942 budgets in the first part of June. Expenditures from January to May, inclusive, were made by monthly appropriations. See report dated June 20, 1942, concerning Syrian and Lebanese budgets.

Due to a steady increase in the cost of living, salaries and wages in general were raised considerably. The Army of occupation is now employing a large proportion of local labor.

The Economic Warfare organization in Syria and the Lebanon was fully described in despatch No. 399 of June 15, 1942.

Mercantile Credits and
Collections

During the early part of 1942, local banks were discounting notes rather freely. Merchants therefore found

it easy

it easy to speculate on goods and commodity prices went up very sharply. The Banque de Syrie et du Liban then stopped discounting notes; credit tightened and speculation activities were forcibly reduced. As a result, wholesale prices have now dropped by approximately 30% but retail prices remained practically unchanged.

Collections were generally easy.

Gold Market

There was a great demand for gold coins during the period under review, and rates of gold went up almost continually. The following table shows the average open market rates for the first two quarters of 1942 as compared with those of the last quarter of 1941:

	4th Quarter 1941 <u>Syrian Pounds</u>	1st Quarter 1942 <u>Syrian Pounds</u>	2nd Quarter 1942 <u>Syrian Pounds</u>
English gold Sovereign	32.32	36.00	39.86
Turkish gold Pound	26.53	29.06	32.77

On the other hand, as may be recalled, a decree, No. 18/LR, issued by the French High Commissioner on January 26, 1940, abolished the gold clause in contracts and commercial transactions but authorized the payment of debts contracted in gold prior to that date at certain rates fixed by the local French authorities. On April 1, 1942, the Free French Delegate General changed as follows the rates previously fixed on June 19, 1940. See telegram No. 124 of April 8, 1942:

	June 19, 1940 <u>£ Syr.</u>	April 1, 1942 <u>£ Syr.</u>
1 kilo of fine gold	2,580.90	2,385.02
English gold Sovereign	18.8983	17.464
Turkish Gold Pound	17.0739	15.778
Gold Napoleon	14.9859	13.8485

Note Issue

Figures released on March 31, 1942, show the following:

ing:

	Outstanding Note Issue		
	Syria Syrian Pounds	Lebanon Syrian Pounds	Total Syrian Pounds
August 31, 1939	18,000,000	25,000,000	43,000,000
June 30, 1940	21,900,000	34,550,000	56,450,000
July 31, 1941	46,350,000	59,000,000	105,350,000
March 26, 1942	48,350,000	59,200,000	107,550,000

Government Budgets

As reported on June 20, 1942, the Syrian and Lebanese budgets for 1942 reached a total of £ Syr. 35,004,500 as compared with £ Syr. 20,238,100 for 1941, an increase of 72%.

Taxes

In general, taxes have been increased by about 20%.

While the Lebanon is still contemplating the assessment of a tax on war profits, Syria has already created an income tax (a separate report on the subject is now being prepared).

Agriculture

As reported by telegram No. 244 of July 9, 1942, official statistics are not available. However, according to best estimates, areas sown to principal crops are as follows:

	Hectares
Cotton.....	50,000
Potatoes.....	20,000
Maize.....	80,000
Barley.....	120,000
Wheat.....	640,000

Snow fell in abundance this year in many regions where it has not been seen for several years. The cold was exceptionally severe during the winter months. This had favorable effects on cereals, but vegetables have suffered.

Fruit

Fruit crops were damaged by hail which fell during the blossoming stage and eliminated all hopes of a good crop.

Livestock

The same sources have furnished the following estimates on livestock in Syria and the Lebanon:

Sheep	3,000,000
Goats	1,500,000
Cattle	300,000
Donkeys	160,000
Camels	78,000
Horses	76,000
Mules	30,000
Poultry	5,200,000

It is believed that these figures exceed by about 25% the number of livestock actually declared, as most livestock owners tend to conceal the real numbers of their flocks for purposes of tax evasion.

Cocoons

By decree No. 171 of May 2, 1942, the Lebanese Government approved an agreement concluded between the Ministry of "Ravitaillement" and the British Ministry of Supply, creating a purchase monopoly of Lebanese cocoons. See telegram No. 180 of May 22, 1942. According to this agreement the British Ministry of Supply has the sole right to buy cocoons at the fixed rate of £ Syr. 2.50 the kilo of cocoons producing 91 grams of silk. This price is considered good in comparison with the price of £ Syr. 1.75 paid on the free market in 1941.

Activities of United Kingdom Commercial Corporation

The United Kingdom Commercial Corporation has announced that up to the month of February 1942, it imported the following commodities into Syria and the Lebanon:

Commodity

<u>Commodity</u>	<u>Quantity</u> <u>Metric Tons</u>
Wheat.....	60,000
Flour.....	7,000
Maize.....	7,000
Sugar.....	10,000
Rice.....	4,400
Coffee.....	1,500

Trade with Switzerland

The Swiss Commercial Office

in Beirut issued a circular letter informing local merchants that Swiss products may be imported into this country either by parcel post or by train. Shipping charges, excluding insurance which should be paid by the consignees, will be as follows:

Parcel Post: Maximum weight 10 kilograms - at 100 Swiss francs per parcel.

Railway: In boxes - at 250 Swiss francs per 100 kilos;
In cars (full load) - at 160 Swiss francs per 100 kilos.

Shipments are made through Turkey and take about 50 days to reach destination.

This arrangement has not yielded any concrete result, since it is naturally very difficult to obtain import licenses for orders placed in countries neighboring Germany.

Decrees Regulating Domestic Trade

The Syrian and Lebanese Governments have issued decrees

regulating domestic trade. See despatch No. 434 of July 30, 1942.

Authorization to Buy Currencies of the Sterling Area

The Free French Délégation Générale issued on June 26,

1942, general authorization No. 13 allowing any resident of these countries to transfer for a limited period any amount of money to countries which are a part of the Sterling Area provided that:

(1) the

- (1) the value be paid in Syro-Lebanese bank-notes;
- (2) the money be transferred through a local bank and placed on account in a bank of the Sterling Area.

This money shall be assimilated to foreign assets constituted prior to the institution of the exchange control, and is not subject to obligatory declaration. See telegram No. 231 of June 26, 1942.

Taurus Express

The Taurus Express which connects Tripoli, Lebanon, with Istanbul, Turkey, has since January 15, 1942, reduced its service from three times to twice a week. The present schedule is as follows:

Departure from Tripoli, Lebanon: Tuesdays at 7:25 p.m.
Saturdays " 7:25 p.m.

Arrival at Aleppo, Syria: Sundays at 1:30 a.m.
(from Istanbul) Wednesdays at 1:30 a.m.

Syrian Railway Commission Decree No. 54/FL of January 22, 1942, fixes as follows the composition of the Syria Railway Commission established by Decrees Nos. 308/FL and 338/FL of October 17 and 25, 1941, respectively:

- 4 British army officers;
- 1 Free French army officer;
- 2 Free French government officials;
- 1 Free French railway official.

Requisition of Personnel of Railway, Harbor, and Electric Companies

Under the terms of Decree No. 313 of June 17, 1942,

the French authorities have required the personnel of the D.H.P. Railway, the Beirut Harbor Corporation and the Electric Company to sign a declaration stating that they will obey all orders given to them and perform all duties assigned to them at any time and at any place. They are therefore now considered "mobilized" and cannot resign.

Damascus

Damascus-Baghdad Road

The joint repair work decided upon about two years ago by Syria and Iraq on the trans-desert road between Damascus and Baghdad was recently completed, costing a total of 612,000 Syrian pounds divided as follows:

	<u>Kilometers</u>	<u>Syrian Pounds</u>
Syria	553	270,000
Iraq	393	342,000

Sale of Ships During Wartime

Decree No. 79/FL of February 6, 1942, prohibits the sale of ships in this country during wartime.

Employment

During the period under review there was an active demand for skilled labor, such as mechanics, fitters and turners, but that type of labor was scarce. There was likewise a good demand for carpenters and unskilled journeymen. A large demand existed for clerical jobs, most of which could not be filled. There was a small demand for tailors and shoe-makers.

Social Legislation

The Social Affairs Service of the Free French Délégation Générale has communicated to the Lebanese and Syrian Governments a proposal calling for Syro-Lebanese coöperation in social matters. The following proposal for joint action, which may be summed up as follows, is said to have been accepted by these governments:

- (1) Enactment of legislation covering social matters;
- (2) Enactment of special laws for industrial employees;
- (3) Providing means to help salaried workers;
- (4) Control of the application of social laws already in force.

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REQUIRED REPORT

(Department's instruction of July 16, 1941 (File No. 102.81/5026) enclosing letter from Department of Commerce dated June 26, 1941, together with a list of reports required by the Bureau of Foreign and Domestic Commerce.)

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ECONOMIC AND FINANCIAL REVIEW
for the Third Quarter of 1942
(Syria-Lebanon)

From

William Witman II,
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American Consulate General,
Beirut, Lebanon.

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APPROVED:

William M. Gwynn,
American Consul.

General

Although the greater part of the wheat harvest was completed in August, no improvement in the supply situation was apparent during the month of September. Despite the threat of heavy penalties, farmers were reluctant to hand over their crops to the Wheat Office. (Wheat and supply problems have been separately reported). The cost of living in general has reached a level unparalleled in the history of the country.

Local industries have had their output still further curtailed by the lack of raw materials.

Import trade remains restricted to prime necessity articles, while export trade is for the most part in the hands of semi-official commercial organizations such as the United Kingdom Commercial Corporation.

The steady increase in the cost of living has resulted in a further increase in commercial and industrial wages, while government employees have received extra allowances for the maintenance of their wives and minor children.

Mercantile Credits and Collections

Despite the fact that the Banque de

Syrie et du Liban continues to show some reluctance in discounting notes, money is plentiful. Merchants have now found other sources of credit in order to resume speculation, and commodity prices have, accordingly, risen again by approximately 50%.

Collections continued to be generally easy.

Money Market

The large demand for gold coins which was reported during the first

first part of 1942 was maintained during the third quarter. The measure, reported on July 31, 1942, allowing any resident of these countries to transfer for a limited period any amount of money to countries within the Sterling Area, contributed to a certain extent to check the rush on gold and kept the price down. This measure was repealed on August 20, 1942. The following table shows the average open market rates for the quarter under review as compared with those of the preceding quarter:

	2nd quarter 1942 <u>Syrian Pounds</u>	3rd quarter 1942 <u>Syrian Pounds</u>
English gold Sovereign	39.86	44.45
Turkish gold pound	32.77	37.975
Palestine pound (note)	8.87	8.94
Iraqi dinar (note)	9.17	9.18
Dollar (note)	2.05	2.14

Note Issue

Figures recently
released show the

following:

	<u>O u t s t a n d i n g N o t e I s s u e</u>		
	<u>Syria</u> <u>Syrian Pounds</u>	<u>Lebanon</u> <u>Syrian Pounds</u>	<u>Total</u> <u>Syrian Pounds</u>
March 26, 1942	48,350,000	59,200,000	107,550,000
April 15, 1942	50,000,000	61,000,000	111,000,000

Syrian and Lebanese Notes
of Small Denominations

Under the terms
of Decree No. 421/FC

of August 14, 1942, issued by the Free French Délégation Générale, the Syrian and Lebanese Governments were authorized to issue currency notes in the following amounts and denominations:

5-piaster notes	7,000,000	notes for each State
10-piaster "	5,000,000	" " " "
25-piaster "	6,000,000	" " " "
50-piaster "	3,000,000	" " " "

According

According to the same decree this note issue shall not be assimilated to the notes issued by the "Service de l'Emission" of the Banque de Syrie et du Liban, but shall constitute a personal and direct debt for the States.

These small notes were printed in Egypt and have already been put into circulation.

Agricultural Bank

It has been announced that the Lebanese Prime Minister and the manager of the Banque de Syrie et du Liban are studying plans for the establishment of an agricultural bank in the Lebanon.

Main Crops in the Lebanon

The Lebanese Department of Agriculture issued the following official estimates of crop production for 1942 as compared with those of 1941:

	1941 Metric Tons	1942 Metric Tons
Wheat	48,000	40,000
Barley	35,000	25,000
Maize	15,000	15,000
Beans, French	1,000	1,000
Lentils	1,500	1,200
Chick peas	1,600	1,200
Beans	800	600
Potatoes	20,000	25,000
Garlic	7,500	7,500

Fertilizers

For the first time in this country garbage will be prepared for use as a fertilizer. A plant is being erected on the outskirts of Beirut for the transformation of garbage into fertilizers through a special process of fermentation.

Tobacco Prices

By Decree No. 392/FL of July 24, 1942, the prices of locally grown tobacco have been fixed by the Fighting French

French authorities according to regions, grades and qualities. In the Lebanon prices range between 8 and 340 Syrian piasters a kilo; in Syria between 5 and 100 piasters; and in the Latakia district between 10 and 160 piasters. As tobacco growing and trade are under the direct control of the Monopoly, these prices are those at which the Monopoly is bound to buy.

Sugar and Rice Trade
Made Free

By legislative decree

No. 213/NI of

September 3, 1942, the Lebanese Government has removed the control on the sugar and rice trade provided that importers of such commodities contribute gratuitously to the Ministry of Supply 20% of their imports.

Iraqi Dates

The Syrian and Lebanese

Governments have authorized

the importation of large quantities of Iraqi dates, for the use of the poorer classes of people here, as a substitute for sugar products which have become scarce and too expensive on the local market.

Prices of Wheat Rationed by the
Department of Supply

In August

the Supply

Department of the Lebanese Government fixed the prices of wheat supplied by it to local consumers as follows:

	Syrian Piasters per kilo
For the "poor"	32 (14 cents)
" " "medium class"	47 (22 ")
" " "wealthy"	72 (33 ")

The supply is, however, very irregular and the amounts available are far below requirements. The population is, therefore, practically obliged to buy on the black market,

where

where prices during the quarter under review ranged between 125 and 170 Syrian piasters per kilo (57¢ and 77¢), according to quality. French bread (white) sold for \$1.00 a kilo.

Higher Economic Council

By Decree

No. 1061/NI

of August 24, 1942, the Lebanese Government created an advisory council to assist the Ministry of Commerce and Industry and the Ministry of Supply in their respective duties. This council is formed of twenty-two members who belong to various professions and who are supposed to be specialists in their respective branches.

Census

From the lists prepared by
the Departments of Supply,

it is disclosed that Syria and the Lebanon have an estimated population of 3,724,157 (exclusive of nomads), divided as follows:

2,696,260 in Syria;
1,027,897 in the Lebanon.

This figure is about 6.5% higher than the last census estimate of 1940.

Railway Connections
with Cairo

The railway track
between Haifa, Palestine,

and Beirut has recently been completed by the British army. Its use is now restricted to military requirements. It is expected that the continuation of this track between Beirut and Tripoli, Lebanon, will be completed in the near future. There will then be direct broad gauge rail connections between Cairo and Istanbul, Turkey.

Postal

Postal money-orders
with Iraq

From August 16, 1942,
exchange of postal
money-orders with Iraq has been resumed.

Wages in Industries
and Commerce

By Decree No. 125/NI
of December 15, 1941,

the Lebanese Government increased wages and salaries in commerce and industries by about 54%, according to a special schedule. On August 27, 1942, the Government issued another decree, No. 204/NI, bringing these increases to 67% on the basis of salaries paid on December 31, 1939, instead of the previous basis of September 30, 1936.

Miscellaneous

The Free French Delegate
General has placed at the
disposal of the Lebanese Government the sum of 800,000
Lebanese pounds to be spent on irrigation projects.

By Decree No. 445/FC of August 28, 1942, the Fighting French Délégation Générale established its financial control on all private and public institutions which receive funds either from the Délégation Générale itself or from the Central Treasury of Fighting France at London.

As already done for the personnel of the Damas-Hama et Prolongements Railway Company and the Beirut Port Company, the personnel of the "Services des Transmissions au Levant des Forces Françaises Combattantes" has been requisitioned by Decree No. 447/FC of September 1, 1942. These persons, according to this decree, must pledge themselves to work whenever and wherever they are required to do so.

By decree No. 454/FC of September 3, 1942, the Délégation Générale authorized the Banque de Syrie et du Liban to issue cash vouchers (Bons de Caisse) in the following denominations:

1, 5,

- 8 -

1, 5, 10, 25, 50, 100, 250, 500, 1000, 2000 and 5000 Syrian pounds.

These vouchers are authorized for the purpose of relieving the pressure on the Banque de Syrie et du Liban which has to pay daily large amounts to the Allied Armies stationed in this country.

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